

Louisiana Housing Trust Fund Frequently Asked Questions (FAQs) # 4

- Question:** Does the LHFA allow any flexibility in the requirements that buyers have an income less than 120% AMI and have a monthly note that is in the range of 20% to 30% of their monthly income?
- Response:** The LHTF Guidelines do not permit the flexibility that you are requesting.
- Question:** What does the LHFA consider to be a qualified third party for cost estimate purposes? Also, should the cost estimate strictly be limited to direct construction costs or should it include overhead costs as well?
- Response:** A licensed Architect or Engineer will qualify. Only hard construction costs are required to be verified by a qualified third party.
- Question:** How long does it typically take to complete homebuyer counseling?
- Response:** There are a range of qualified housing counselors that may be used in a variety of training formats. The Applicant must survey such counselors operating in the area within which a Homeownership Program will be developed to determine such timeframes.
- Question:** Will the Homebuyer Counseling interfere with potential home buyers that are seeking a quick closing?
- Response:** In order to avoid the counseling interfering with a “quick” closing, Applicants are well advised to identify prospective purchasers in advance of completing the construction of a housing unit and arrange to have the purchasers complete the counseling in advance of completing the units.
- Question:** When receiving a cost based development subsidy, how many times 75% of the proceeds must be reinvested for the loan to be forgiven?
- Response:** Only one time. In other words, a similar unit must be constructed for a similar purchaser at a cost not less than the LHTF moneys to be gifted to the applicant.
- Question:** In determining a market based development subsidy, how does the LHFA determine the gap between the cost to build and the fair market value?
- Response:** Simply subtract appraised value from cost to build to determine the development subsidy.

- Question:** What are the reporting/audit requirements to demonstrate that all guidelines are followed and the project has met the requirements for the loan to be forgiven?
- Response:** These guidelines are not yet available, but will be reflected in the program documents that will be used for each closing.
- Question:** In an organization has no “issues” with HUD, is reconciliation agreement required?
- Response:** No
- Question:** On the application, on the Project Characteristics Sheet—Are we supposed to type narrative here?
- Response:** No
- Question:** If the project is new construction, is a Capital Needs Assessment required?
- Response:** No, a capital Needs Assessment is required only for rehab of an existing rental project.
- Question:** If the program is not PSH---do we need to include Appendix 12, which seems to be the Supportive Service Plan?
- Response:** No, a Supportive Service Plan is required only in connection with PSH units.
- Question:** Is there a form for the Matching Certification (Appendix 26) or will the letters themselves suffice?
- Response:** Commitment Letters will suffice but the information must be included in the Matching Sources spreadsheet.
- Question:** For evidence of Energy Efficiency (Appendix 27), can this just be a letter from the Architect?
- Response:** Yes
- Question:** In the guidelines on Page 3 under the project characteristics it states that the strength of the market area will be judged based in part on the market demand. Can an organization applying for the Homeownership funds use the GCR tool on LHFA’s website to determine the market demand as outlined on page 3 of the guidelines?

- Response:** Yes, so long as an independent 3rd party retained by the applicant confirms the market demand evidenced in the GCR tool.
- Question:** Can the same organization apply for funding on more than one application within the same city, parish region, etc. with the argument that they are in different areas of the city?
- Response:** Yes, so long as an independent 3rd party confirms that each application relates to a separate, distinct and unique submarket area of the political subdivision or region.
- Question:** under the eligibility tab in the homeownership application, what is meant by the following statement: “Residential purchase price supports development cost of residential portion with no contingent liability for commercial space?”
- Response:** The Guidelines prohibit under Eligible Uses “market rate housing and /or commercial spaces” being paid with LHTF Funds.
- Question:** If the purchase price supports the development why would we need the subsidy from LHFA?
- Response:** There are two (2) types of subsidy: Development Subsidy and Affordability Subsidy. If the cost to build is less than or equal to appraised value no development subsidy will be needed. An affordability subsidy may be required if a household purchasing a completed unit cannot afford to purchase the unit with loan proceeds from the “highest affordable first mortgage loan.”
- Question:** Under the competitive review tab, in order to get the points associated with projects serving populations under 80%, how many of the units must be under the 80% threshold? In other words, if I have a 12 unit project, 1 unit be at the 50% level and still receive points? What if I have one 30% and two 50% and all the rest are at 80% do I receive a blended score?
- Response:** The Agency will use a weighted averaging to confirm the points elected by the Applicant for points under Affordability. For example, the Agency suggests the Following steps:
- Step 1: Multiply the number of units to be constructed for each income class by the percentage area median income of the income class,
 - Step 2: Add the results of all the totals obtained in following the instructions stated in Step 1, and
 - Step 3: Divide the results of Step 2 by the total number of units in the project.

The percentage obtained by Step 3 will determine the number of points to be awards under Affordability.

Question: On page 30 under the affordability subsidy market based only section it states in paragraph one that the affordability subsidy is a fully forgivable loan. In paragraph two it states that it is a non-interest bearing loan that is subject to recapture. Please clarify under what circumstances will the recapture take place.

Response: The Affordability Subsidy is to the purchaser of the completed unit. Until a unit is completed and sold, LHTF moneys will be in the form of a loan to the Applicant.

Question: On the **Project Schedule** page of the application (page 14):

- A. **Site:** What constitutes Site Analysis?
- B. **Financing:** Under the sections for other loans and grants – should pledged donations be listed here? Should unrestricted cash in hand also be listed here or just under the Matching Sources spreadsheet?
- C. **Closing and Transfer of Property:** Does this refer to the property upon which the houses will be built? Does closing here refer to the “closing” with LHFA after the grants are approved?

Response: A. **Site Analysis** is the same as Site Assessment. Insert the date on which the information (pictures) was generated.

B. **Financing:** Pledged donations may be listed under “other Loans and Grants” but cash should simply be listed in the Sources and uses spreadsheet as “Other Matching Sources.

C. **Closing and Transfers of Property:** Closing refers to the date that the land on which the units will be constructed is purchased. The Completion Date will be the date when the units to be built on the land are constructed and ready for “immediate transfer.”

Question: There are questions in various places that will require documentation that is not specifically listed in the appendix list – such as documentation that the homes are immediately sold to qualified homebuyers. This is only one example; there are other instances when a question is asked that should be accompanied by documentation but it’s not clear where to put it. So what do you suggest about where this documentation should be included in the application? Do you need all of the various examples to determine?

- Response:** The Agency understands that the Guideline are not absolutely clear about a number of required documentation items, such as the documentation of the “as completed appraised value” that will be used to determine the sales price when the costs to build exceed the appraised value and the Guidelines limit the sales price to the lower of cost to build or appraised value. There are other informational items that the Agency will permit estimates to be included in the Application but which will be verified at the time the completed units are sold to qualified purchasers.
- Question:** Is there a standard for the value of donated items?
- Response:** The donated item should be valued at the same amount you would have had to pay if you purchased the item.
- Question:** Can Homebuyers sweat equity qualify for the \$500 down payment on the eligibility sheet, line 39?
- Response:** Yes
- Question:** Where do you input architectural fees already paid on the application? Can application be reimbursed for fees already paid-or would these be considered par of the applicant’s match?
- Response:** These can be put in “Other” on the “Matching Sources” sheet if to be used as part of the match.
- Question:** How will the draws be structured?
- Response:** Draws will be approved based upon percentage of work completed with no more than one draw request per month
- Question:** Will City/Parish building department periodic inspections suffice for draws to be authorized?
- Response:** The LHFA prefers an independent inspector that may certify percentage of construction completion which may be the project’s architect or, if qualified and accustomed to certifying percentage completions, a parish building department inspector.